

**Draft Circular**

**F.No.354/66/2011-TRU**

**Dated – 12<sup>th</sup> August, 2011**

**Subject: Service Tax Refund to exporters through Indian Customs EDI System (ICES) — Draft circular calling for comments, views and suggestions — regarding.**

At present Service Tax Refund (STR) is made available to exporters on specified services used for export of goods covered in Notification 17/2009-ST dated 07.07.2009 subject to specified conditions. Representations have been received from exporters seeking simplification of the STR scheme.

2. These representations were examined and the Government had proposed to introduce a simplified scheme for refund of service tax to exporters on the lines of duty drawback. Subsequently, the matter was referred to the Committee for the formulation of All Industry Rate of Duty Drawback, for formulating a simplified scheme for STR. The Committee has since submitted its report to the Government. In accordance with the recommendations of the Committee, a scheme for disbursement of STR through the ICES on the lines of drawback is proposed to be introduced. This scheme would not supplant the existing mechanism of STR through the Central Excise/Service Tax formations but would be in the nature of an option being provided to the exporters to either claim the refund through the ICES on the lines of drawback or continue claiming the refund through the service tax/central excise formations, as is in vogue at present.

3. Under the proposed scheme, an exporter, who opts for claiming STR through the ICES in relation to specified services used for export of goods, would declare his intent on the shipping bill which will be processed on the same lines as drawback shipping bills. In case of other shipping bills (other than drawback shipping bills), the shipping bill will, after filing of EGM, move separately, get processed and sanctioned on the ICES. In either case, shipping bill itself will be the basis for claiming refund. The process of disbursement of STR through the ICES would broadly entail the following:

(i) Creation of separate service tax directory in the ICES for the specified services in terms of Notification '17/2009-ST, dated 07.07.2009' along with the specified rate for each of these services. These rates would be similar to an AIR (All Industry Rate) which is being proposed for these services.

(ii) Chapter/Sub heading number of the schedule of STR at the first 2 digit or 4 digits, as the case may be, should tally with RITC code.

(iii) Exporters who prefer to claim STR on actual basis through the Central Excise/Service Tax field formations should declare STR Serno (Serial Number) 9801 in the Shipping Bill.

(iv) Total STR amount would not be less than Rupees Fifty for a shipping bill, otherwise the system will make it zero and this will be on the same line as is in the drawback scheme.

(v) The option to amend STR Serno against an item in the shipping bill is not proposed to be given to any officer. However, an exporter who wants to get the STR Serno amended, for any reason, can get the same carried out through the ICES service centre by filing an amendment request.

Although the proposed scheme for sanctioning STR on the lines of drawback through the ICES would broadly follow the same workflow process similar to draw back, there are some significant differences which are discussed in the paragraph below.

4. Presently in case of drawback shipping bill, after filing the EGM, drawback is scrolled in by Superintendent(Drawback) in case the drawback amount is less than Rs One Lakh and by AC/DC when the drawback amount is equal to or more than Rs One Lakh. Thereafter, the drawback scroll is generated by the AC/DC (Drawback) in respect of all shipping bills for crediting drawback amount in the designated bank of exporter. Similarly, for disbursal of STR through ICES, it is proposed that for drawback shipping bills, drawback amount will also include STR amount. Thus drawback scroll will credit both STR and drawback amount in exporter's account. In the case of non-drawback shipping bills, the STR amount would be automatically scrolled in once EGM is filed and the same will be scrolled out by the AC/DC (Drawback) along with the drawback scroll.

5. To sum up, the following measures are proposed:

(i) Service Tax Refund will be processed in the ICES through the Custom Houses.

(ii) Service Tax Refund will be given electronically to the exporter who opts for claiming STR based on schedule. In case an exporter wishes to claim STR on export of goods on actual basis he will approach the concerned Central Excise/Service Tax field formations.

(iii) Service Tax Refund will be processed and sanctioned on the ICES system subject to the safeguards indicated.

6. Exporters, exporter associations, chambers, trade, industry and field formations are requested to go through the proposed scheme and offer their comments, views and suggestions. In order to provide wide publicity to the proposed scheme, this circular is also being posted on the CBEC website, [www.cbec.gov.in](http://www.cbec.gov.in) and it is requested that comments, views and suggestions on the proposed scheme may be forwarded to the undersigned on or before **26<sup>th</sup> August 2011**.

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